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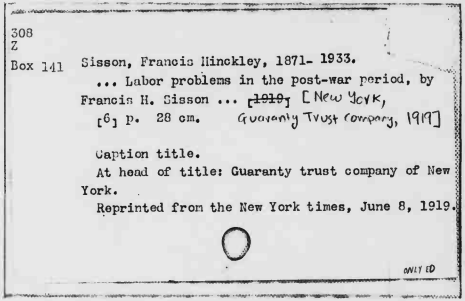

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Labor Problems in the Post-War Period*

By Francis H. Sisson, Vice-President
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The question which stands at the front of all others in every country amidst the present great awakening is the question of labor.
—President Wilson in his message to congress on May 20, 1919.

IT is daily becoming more evident that the economic readjustments of the post-war period transcend in importance the purely political issues. Indeed, the principal political questions now engaging the world's attention are significant, chiefly because of their relation to the solution of essentially economic problems, prominent among which are questions directly affecting working people.

The adoption of labor's so-called Magna Charta by the Peace Conference and the emphasis laid upon labor questions by President Wilson in his message to Congress on May 20, is evidence of world-wide recognition of this fact. And furthermore, the President has described the labor programme of the Peace Conference as "one of the most gratifying achievements of the Conference;" while Lord Reading, the retiring British Ambassador to the United States, has declared: "The most important thing in the Peace Conference in Paris was the agreement on the labor question. It is an event of far-reaching importance that this general agreement should have been arrived at by the various nations in the Conference."

An eight-hour working day, or a forty-eight hour week; a weekly rest period of at least twenty-four hours; the abolition of child labor; the granting to men and women of equal pay for work of equal value, and the statement of the principle that labor shall not be regarded merely as a commodity or article of commerce, are among the important provisions which have been incorporated in the Treaty of Peace. While they are not laws binding within the countries which sign the treaty, international public opinion, with the possibility of economic pressure in the background, is relied upon to obtain fulfillment of the pledges.

It is also significant that a statement of principles prepared with a view to furnishing a basis on which American industry can build a national labor programme was recently submitted to a referendum vote of the membership of the Chamber of Commerce of the United States.

The Testing of Our Industrial Order

The menace of Bolshevism, with its destruction of fundamental bases of industrial and social life, continues in Eastern and Central Europe. The British, however, in their characteristic fashion, are undertaking the establishment of an industrial parliament for the cooperation of employers and employes, which, with its unprecedented legal sanctions, *promises* an unusually effective safeguard against industrial warfare. In this country, on the one hand, labor unrest is manifest in the sporadic appearance of radical agitators and attempts here and there to launch a labor political party. On the other hand, England's example has already resulted here in appeals to President Wilson to call a national conference of employers and employes similar to that which assembled recently in England.

These examples of social ferment are at least important enough to remind us that the foundations of our industrial order are being tested and that the processes of social readjustment have been speeded mightily since the summer of 1914.

The mobilization of virtually whole nations for service at the battle fronts and behind the lines in a common cause—involving as it did industrial dislocation and hasty attempts at readjustment of productive factors to serve the ends of war, and occasioning marked changes in the relative distribution of personal incomes—has wrought changes in the industrial world which cannot be wholly undone. Nor is a complete return to former conditions desirable. Wherever, in the interest of war-time efficiency, new methods and relations in industry have been developed which may be advantageous in peace also, their retention will be advisable.

But the need for safeguarding and extending certain advances made in the war period and at the same time for retracing our steps in other directions makes the tasks of industrial readjustment unusually complex and difficult at the present time.

At every turn in the processes of industrial readjustment the interests of the working people, both as factors in production and as members of society, are involved. Social obligations on the part of both the wage-earners and the wage-payers—no less than rights of long standing or fortuitous gains and advantages obtained in an emergency which demanded sweeping alterations with no time for a weighing of

*Reprinted from the New York Times of Sunday, June 8, 1919.

any but immediate results—call for the sincerest efforts to realize in industry, as in government, the potential benefits of the military victory.

Employment

More urgent even than the relative wage rates in the transition period is the question of employment. It is better that there should be a fully occupied labor force, even at merely living wages, than that large numbers of potential workers should be for any considerable period involuntarily idle while the remainder receive adequate compensation. The possibility of widespread unemployment during the transition period was not unforeseen. It was generally expected that the demand for labor would be reduced and the number of potential workers augmented forthwith when the war should end. Moreover, the armistice came at the beginning of winter, the season when in normal times the extent of unemployment occasioned by the slackening or suspension of activity in our seasonal industries is greatest.

On the other hand, when the armistice was signed, the expected restoration of the normal current demands of business, supplemented by the large waiting demands in many lines of production due to the depreciation of customary stocks of goods, and by more than ordinary peace-time requirements in foreign markets, promised work enough to prevent a critical condition of unemployment—if only a fair measure of business confidence could be maintained and the requisite mobility on the part of workers could be effected and rightly controlled.

Fortunately, too, when the fighting ended this country was better equipped than ever before with machinery for the redistribution of workers in large numbers. The United States Employment Service, developed in order to provide workers for the war industries with a minimum of disturbance to normal and necessary production, was nation-wide, supplementing the State, municipal, and private employment agencies.

The first essential, however, was and is, not that the machinery for bringing workers and jobs together should be perfected, but that industrial production should proceed promptly and in such volume as to afford adequate opportunity for the employment of the nation's labor forces. Although much of the so-called war work was readily continued as peace work without interruption, and without any change in the technique of plant operation or any unusual change in the labor personnel, reduced activity in many other lines of enterprise was necessary as a result of the previous industrial mobilization for war purposes. Unemployment on a large scale, therefore, could be avoided only by a prompt resumption of approximately normal production in lines in which there had been reduction or suspension of activity.

A Comprehensive Programme Needed

In view of the certainty that the end of the war, however remote it might be, would entail such a readjustment of industry, clearly there was need for definiteness of plan and organization in preparation for the emergency. Unfortunately, however, partly because of our concentration upon the immediate tasks of making war, we did not formulate a national policy or program for reconstruction. Consequently when the war was virtually ended in November, there began a rapid demobilization of the workers in war industries and of the military forces, accompanied by a degree of unemployment and hardship which might in part have been avoided. The necessary delays in bringing home our overseas forces have saved us from a much more difficult situation. And probably because the worst predictions of the alarmists have not materialized in six months, we have not been deeply moved meanwhile by a considerable volume of nonemployment, nor by the fact that it has been necessary for State and local governments and even private organizations to supply the money required for the maintainance of activities which otherwise would have been suspended in consequence of the failure of the late Congress to provide funds for the continuation of the United States Employment Service.

It is not too late, perhaps, even now to formulate a national reconstruction program which may be made to serve the interests of the whole country in the remaining period of industrial readjustment.

Without special pressure, employers have in the main shown a disposition to give their former employes preference respecting positions as they are discharged from governmental service. While their action in accordance with this commendable spirit involves in some cases the displacement of other equally efficient workers, probably more often the returning soldiers thus far have supplemented rather than displaced those who have in some measure taken their places in industry during the war.

Land Settlement

On the other hand, for a variety of reasons, many soldiers cannot or will not resume their former positions in industry. Secretary Lane's proposed measures for encouraging the soldiers to settle upon unused land, of which we have many millions of acres capable of utilization, might, if enacted into law, materially assist in redistributing the nation's workers. More than one-third of our soldiers came from farms, but it cannot be foretold in what proportions these will seek other employment or in what degree this shifting will be offset by those from other callings who, made acquainted for the first time by their war service with the attractions of outdoor life, will wish to try the fortunes of pioneers. It is probable that only as some form of community settlement, as distinct from the occupation of the isolated farm, is provided for, will measures for the encouragement of land occupancy be especially successful.

Buffer Employment

Public works offer an opportunity to employ temporarily a large and variable labor force during the transition period. One of our foremost students of public works has estimated that the postponed enterprises of 1917 and 1918 and the work which would normally be undertaken in 1919, would together employ 2,400,000 workers for three months at good wages. In addition, there are proposed reclamation and irrigation undertakings and the improvement of port facilities in preparation for a greatly expanded foreign trade which would furnish employment for both skilled and unskilled workers. These undertakings do not represent "make-work" schemes, lacking economic justification in themselves. All are needed improvements.

Generally speaking, we in this country have never appreciated the advantages of prosecuting public work vigorously in times of slack industrial employment. But it is to be hoped that other States and cities will join in the movement already begun in the East for the establishment of emergency public works funds and machinery for the disbursement of these funds as the state of the labor market may warrant.

A Relatively Reduced Labor Supply

Normally, before the war, we had a net addition to our population through immigration of about 900,000 a year—in 1913 more than 1,100,000 aliens were admitted to this country. During the whole of the war period our labor supply has been augmented by fewer immigrants than formerly came in a single year, and recently the influx has been of insignificant proportions. With the removal of restrictions, great numbers of our foreign born are now returning to Europe or making ready to go, and it is probable that immigration on a large scale will not intensify our employment problem in the immediate future. The disparity of wages and other conditions affecting the workers here and in Europe has been lessened. These changes, together with the reduction of Europe's man power, have in part removed the causes which led to our former heavy immigration.

Of the many women who were drawn into industrial employment for the first time during the war the larger part will probably constitute a relatively permanent addition to the labor supply, and it is not improbable that the number of women in industry in the next few months will increase, rather than decrease, with the improvement in business conditions.

In view of the immense increase in our productive capacity, effected during the war, it can hardly be doubted that our capital equipment is sufficient to occupy the entire labor force of the country. And it should be borne in mind that every producer is also a consumer. Normally whenever laborers are added to the previous working force, they do not merely compete for existing positions, but, by virtue of their newly acquired incomes, expand their consumption and thereby create demand for the services of other workers. Our fundamental problem of employment, then, is one of adjusting the productive equipment as rapidly as possible to the requirements of peace. There will be no real insufficiency of opportunities for employment, once the nation's industrial machinery is adjusted to its new tasks.

Wages

The existing wage scales, speaking generally, are anomalous. Nearly all rates were advanced during the war, but in a most irregular manner. For some workers the wage advances were almost negligible, and for others, several hundred per cent. The pay of comparatively few, it appears, however, increased relatively as much as did commodity prices or the cost of living. Thus, while on the whole average money wages have increased greatly in this country since 1914, the real wages, the purchasing power of the workers' earnings, have doubtless declined during the war. This is the repetition of a familiar experience. Practically without exception, in cases of wide and protracted fluctuations of commodity prices in either direction, wages lag behind prices, rising and falling somewhat tardily. After the Civil War, for example, the general trend of wages continued upward for several years, although commodity prices meanwhile declined materially and almost without interruption.

Most commodity prices have declined, if at all, very gradually, and perhaps wage rates have not fallen as much as have average prices since the ending of the war. But the maintenance of rates have been offset in part by reduction or suspension of over-time employment and special or bonus payments. If we may assume that pre-war wages represented substantial justice under the conditions then prevailing, the logic of the greatly confused wage situation requires—if the accustomed standards of living are to be maintained—that the pay of some workers should advance further in order to overtake the increased cost of living. The living wage, as a basic payment

to all those whose services are required in industry, is now more firmly established than ever before, since it has received official sanction in connection with Government control of war industry. Employers who have always ungrudgingly paid a living wage as a minimum will welcome every influence that promises to help rid industry of those parasitic enterprises which compete unfairly with legitimate business by paying unreasonably low wages.

Production Should Govern Wages

But it also seems obvious that some wages, raised unduly during the war, should be lowered. There is no inexhaustible capital fund from which wages may be paid. Only in so far as men produce may they expect to be compensated. Production is measured in terms of prices, and if the prices of the products of labor decline in the world's markets it is to be expected, other things being equal, that the pay of workers producing the goods will and should be adjusted accordingly. Most workers, however, do not reason concerning their wages in terms of comparative costs of production and selling prices. Once their wages have attained a new high level, they usually contest any lowering of the wages when the prices of the goods they help to produce decline along with general prices.

Hence it is to be expected that wage reductions, however much they may be justified by the trend of commodity prices, will in most cases be vigorously opposed by the workers themselves. Industrial managers will do well not to ignore the psychology of the labor factor in production. If care is exercised to propose reductions in wages only where the justification is clearly obvious, a great deal of troublesome friction may be avoided. Moreover, far-sighted generalship, as well as good business, will require that, in any readjustment downward of profits and wages which may be necessary in the transition period, profits on the whole should be reduced first. It is fortunate that employers generally have largely been governed by such considerations in the readjustment of wages in recent months.

Political Wage Making a Dangerous Precedent

It is unfortunate that other than economic considerations appear to have been influential factors in the fixing of wages in some branches of industry under Government control.

We should remember that wage-making for political, rather than economic considerations in public service enterprises, is fraught with danger for all concerned. It is almost certain to be unfair to either the public or the wage-earner. It may be unfair to the public through unwarranted increases which place an undue tax upon production and distribution which would handicap agriculture, industry, and commerce, and prevent competition with other nations, or it may be unfair to the wage-earner through the political ascendancy of those who would refuse just compensation to employes.

Any other basis than that of sound economic law—which, of course, includes willing recognition of the just demands of wage-earners and enlightened and sympathetic consideration of their welfare and contentment—in the rendering of public service is certain to be unsatisfactory and inequitable. The importance of maintaining this form of service on a business basis to the producer, the shipper, the merchant, and the general consumer can hardly be over-emphasized. Each has an important interest in the problem and it may be reasonably assumed that in the event of any substantial injustice being done to any important class by arbitrary political action, violent reactions and changes would follow here as they have elsewhere, to the constant unsettling of the situation.

Hours

And we should also guard against that absolutely false economic theory which certain labor interests advocate, namely, that indefinite reduction of hours benefits labor by a multiplication of jobs. While the length of the working day is a matter of vital importance in safeguarding the health and efficiency of the workers and in the promotion of a wholesome civic life, the indefinite reduction of hours does not enhance the welfare of those who toil. Nor is the day which yields temporarily the maximum output of product necessarily the most defensible. The whole span of the workers' lives must be envisaged, and hours should conform to two requirements—the abiding welfare of the workers and sustained production at the maximum level consistent with this welfare.

Anything which curtails productivity, whether it be by means of shorter hours or limiting the output of every worker in an organization to that of the slowest and most incompetent, eventually exacts a penalty from the individual as well as from his community and society in general. Increased productivity, on the other hand, promotes prosperity and, in the long run, provides labor with a larger share of not only the essentials but also the luxuries of life.

Industrial Relations

During the war, union standards of employment in the main were adopted by the Government in the interest of prompt production in the controlled war industries. And the almost unanimous response of our labor leaders and their followers to the need of the country for patriotic service in time of war won favor in unusual degree with the American people as a whole. In fact, the prestige and influence of organized labor in this country were never so great as at the termination of the war. But this enhanced prestige resulted chiefly from the exercise by governmental agencies of temporary war powers. Can it survive the suspension or abolition of these powers?

It may be that we shall have to institute in this country something comparable to the industrial councils in England—national, district, and plant organizations for the various industries, in which employers and employes are represented and which can act with authority and in orderly fashion for their respective industries. The degree of protection against certain objectionable competitive practices within their own groups, which this type of organization offers employers, will probably prove one of its principal benefits.

Cordial Coöperation Necessary

But whether this or some other plan is adopted, labor will doubtless insist increasingly upon the right of collective bargaining, and, in the long run, those employers will fare best who are disposed to take labor by the hand rather than by the throat. Likewise, those laborers will gain most and permanently who deserve to be taken by the hand.

But collective bargaining is not a panacea and alone cannot safeguard all the interests involved in the wage system. Back of all the machinery for collective bargaining, if it is to function well, must be the spirit as well as the form of coöperation. Benevolent employers, sincerely desirous of giving their employes generous treatment, have time and again failed to win their employes' confidence or loyalty. If such well-intentioned efforts can fail completely and so frequently, may it not be that neither side in the labor controversy really understands the other? Mutual misunderstanding affords no basis for coöperation in productive enterprise.

Admittedly, labor is not always sufficiently interested in the quantity and quality of production—which constitute the source of wages and the only continuing wage fund. For this attitude labor is not solely to be blamed. The advantages which may revert to the workers as consumers generally are too remote to elicit any special concern in individual efficiency in production. Profit-sharing schemes and the like are often suspected because arbitrarily controlled from above. Scientific management, so-called, whatever may be its potential merits, has had few if any real trials, for it can have a fair test only when more cordial relations exist between labor and capital than are usually to be found today. Such means alone, then, do not promise general recognition of the basic partnership of capital and labor in production at its best. Is there no way out? Must we charge the whole difficulty to the short-comings of human nature?

Some Possible Aids

The first essential is an understanding of the magnitude of the undertaking. To secure in the average worker genuine interest in his product, when, as is so often the case, he is subjected to the deadening monotony of the routine of machine production, is a formidable task. And he would be a bold reformer who could confidently set forth in detail a plan fitted to every exigency in the adjustment of industrial relations.

Something has been gained, we may be sure, in the recent spread of the idea that the management of men is a function that not every man with money and a factory under his control can exercise, that it requires special ability and consequently special training. The employment managers today—and their numbers have multiplied rapidly—represent a departure in industrial engineering which merits encouragement. When there are more and better qualified managers of personnel we shall be farther advanced toward an acceptable adjustment of industrial relations.

But, in the final analysis, lasting progress in this direction must rest upon a spirit of coöperation, which finds expression in a genuinely democratic control of the conditions of employment. This does not mean that the direction of enterprise can be handed over bodily to a committee of workers lacking special ability and training for managerial tasks. It does mean that neither those who receive nor those who pay wages have an exclusive right to determine the whole range of conditions under which the work of the world shall be done. In present day corporate activity in business the actual managers represent other people who supply, in whole or, usually, in part, the capital employed. Since the managers direct the human as well as the material factors in production, it might, perhaps, be well to allow the workers some direct participation in the choice of the managers.

Political Aims and Methods

The drift of recent events has produced a new crisis in the American labor movement. There has been formulated no consistent national labor policy. During the war one arm of the Government was sanctioning or requiring collective bargaining and union standards in war work while another arm was prosecuting men for concerted action. Even more noteworthy was the virtual denial by judicial edict of the right of workers to organize against the wishes of their employers.

All this, together with the uncertainties and perplexities of a readjustment period, is bringing to the fore once again the question of possible political activity by workers as such. The kind of discontent which, nurtured in a soil of economic oppression and almost universal ignorance in certain parts of Europe, has been destructive of social order there, is not wholly wanting in this country. Thanks to the intelligence of the average American, however, we have a degree of immunity against ultra-radical teachings which makes improbable a serious disturbance of our social order by violent socialism.

Nevertheless, political activity of an unaccustomed sort may appear soon in this country. There is a noticeable cleavage within the ranks of labor over the question of forming a labor political party here, such as already exists in England and elsewhere. Heretofore the wage-consciousness of the typical American labor union has been so engrossing as to preclude any political activity beyond the effort of the leaders to turn the labor vote to this or that party.

It is the new international situation, however, rather than the perplexing domestic problems, that will provide the strongest ground of support for the incipient political activity of labor in this country. Elsewhere labor parties will be heard in national and international councils in the determination of questions of vital import to working people everywhere. Whether or not the American labor movement shall develop a distinctively political organization, it may, indeed, be hoped that the discussion of the issue will at least broaden the vision of some leaders to whom the driving of the wage-bargain has hitherto been a sufficiently absorbing task.

International Standards

A corollary of the closer political relations between nations in general, which should result from the formation of a League of Nations, will be a revision of certain bases of international competition. The opportunities for reaping the legitimate profits of individual initiative in foreign trade should be multiplied rather than restricted by the new political arrangements and their necessary results in the spheres of industry and trade. Legitimate business interests will be benefited by closer coöperation on the part of the nations in governing conditions under which the various nationalists compete.

Often American capitalists who produce goods for sale abroad, thereby giving employment to American labor, have complained of the competition of foreign manufacturers whose labor force is paid but a fraction of the American workers' wages. Legislation in this country governing other conditions of employment than the wage contract, despite the good accomplished, has sometimes placed the American producers at a serious disadvantage. It may be expected that in matters of wages, hours, social insurance, and the like, under the new forms of international coöperation, no lowering of American standards will result. Rather, they will advance; and the raising of standards abroad will render our own all the more secure.

World Tasks in Common

In still other directions the problems of labor in the United States will have added significance and new relations to similar problems elsewhere. More than ever before the task of preserving the world's peace will be shared in common by all the nations. This, alone, will exert an influence of much weight, not only in eliminating conditions which may breed international difficulties, but in pooling social progress for the benefit of all the partners in the great enterprise of democratising the world.

Also, the greatly increased productive capacity of the principal industrial nations, built up to meet the requirements of war, will further hasten the settlement and development of the relatively unoccupied regions of the world. This, it may be expected, will be accompanied by the removal of some of the restrictions on voluntary migration which in the future economy of nations will be unnecessary. The measure of relief to overcrowded populations thus to be afforded will react favorably upon the working people of the world in general, especially through the multiplied demand for the products of their toil, and through the opportunities for better understanding and mutual assistance. Through the acquisition of land and other property in the newer countries by those who in their present environments would remain unpossessed of property, the surest bulwark against anarchy yet discovered will be strengthened.

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